

ASSEMBLY BILL

No. 1018

Introduced by Assembly Member Hill

February 27, 2009

An act to amend Sections 13308 and 13337 of, and to add Section 13308.1 to, the Government Code, relating to state finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1018, as introduced, Hill. State finance.

Existing law requires the Governor to submit to the Legislature, on or before January 10 of each year, a proposed budget for the ensuing fiscal year that shall contain estimates of anticipated state revenues and itemized statements of all proposed expenditures of the state for that fiscal year. Existing law further requires the Director of Finance to submit to the Legislature, on or before May 14 of each year, revised estimates of General Fund revenues for the current fiscal year and the ensuing fiscal year.

This bill would require the Governor's proposed budget to also include estimates of revenues and expenditures for the 3 subsequent fiscal years. In addition, the bill would require the Director of Finance to submit to the Legislature revised estimates of revenues and expenditures for the current fiscal year and for the 3 subsequent fiscal years on or before May 14, July 15, and September 15 of each year. For each of those revised estimates, the bill would require the Controller and the Treasurer to review the revised estimates and to submit an assessment of those estimates to the fiscal committees of each house of the Legislature and to the Director of Finance on or before specified dates.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 13308 of the Government Code is amended to read:

13308. (a) The Director of Finance shall provide to the Legislature, on or before February 1 of each year, all proposed statutory changes, as prepared by the Legislative Counsel, that are necessary to implement the Governor's Budget, as described in subdivision (a) of Section 13337.

(b) The Director of Finance shall provide to the Legislature, on or before April 1 of each year, all proposed adjustments to the Governor's Budget except as specified by subdivisions (c) and (d).

(c) The Director of Finance shall provide to the Legislature, on or before May 1 of each year, all proposed adjustments to the Governor's Budget in appropriations for capital outlay.

(d) The Director of Finance shall provide to the Legislature, on or before May 14 of each year, all of the following:

(1) ~~An estimate~~ *Estimates* of General Fund revenues for the current fiscal year ~~and, for the ensuing fiscal year, and for the three subsequent fiscal years. The Controller and the Treasurer shall review the estimates of General Fund revenues for the ensuing fiscal year and for the three subsequent fiscal years and shall jointly submit the following information to the fiscal committees of each house of the Legislature and to the Director of Finance on or before May 31 of each year:~~

(A) *A description of the economic context for the estimates of General Fund revenues, including trends in financial markets and effects on borrowing.*

(B) *An assessment of the estimates of General Fund revenues and, if significantly different, alternative estimates.*

(C) *An assessment of the Director of Finance's revised expenditure proposal, focusing primarily on the following:*

(i) *The impact of changes or anticipated changes to state statutory law, state constitutional law, federal law, and case law.*

(ii) *The impact of anticipated enrollment and caseload changes, federal mandates, court orders, and related cost factors affecting the estimates.*

(2) Any proposals to reduce expenditures to reflect updated revenue estimates.

1 (3) All proposed adjustments to the Governor's Budget that are
2 necessary to reflect updated estimates of state funding required
3 pursuant to Section 8 of Article XVI of the California Constitution,
4 or to reflect caseload enrollment or population changes.

5 (e) The Director of Finance may authorize suspension for the
6 current fiscal year of any provision of this section not sooner than
7 30 days after notification in writing of the necessity therefor to the
8 chairperson of the committee in each house that considers the State
9 Budget and the Chairperson of the Joint Legislative Budget
10 Committee.

11 SEC. 2. Section 13308.1 is added to the Government Code, to
12 read:

13 13308.1. (a) The Director of Finance shall provide to the
14 Legislature on July 15 and on September 15 of each year estimates
15 of General Fund revenues and expenditures for the current fiscal
16 year and the three subsequent fiscal years.

17 (1) Each estimate of General Fund revenues required by this
18 subdivision shall describe the assumptions and economic factors
19 affecting the estimate, including all of the following:

20 (A) Actual data and trend information pertaining to average
21 personal income, wages and salaries, taxable sales, the Consumer
22 Price Index, the unemployment rate, housing permits, and
23 population growth.

24 (B) National economic data, including housing starts, the annual
25 percentage change in real Gross Domestic Product, and the
26 per-barrel price of imported crude petroleum.

27 (C) Details behind revenue assumptions for personal income
28 tax, sales and use tax, and corporate tax. Those details shall
29 quantify the impact of economic factors such as stock market
30 performance, real estate trends, capital gains, taxable sales and
31 profits, vehicle sales, and the impact of recent and anticipated
32 changes to federal tax law.

33 (2) Each estimate of General Fund expenditures required by
34 this subdivision shall describe the bases for the estimate, including
35 any recent or anticipated changes to state statutory law, state
36 constitutional law, federal law, and case law, in order to provide
37 a reasonable baseline projection of expenditure patterns for the
38 period of the estimate. The estimate shall also include year-by-year
39 presentations and explanations for all of the following:

40 (A) Prior-year General Fund balances.

- 1 (B) Total annual revenues, transfers, and expenditures.
- 2 (C) Yearend General Fund balances.
- 3 (D) Encumbrances.
- 4 (E) Reserve amounts.
- 5 (F) The Budget Stabilization Account.
- 6 (G) The Special Fund for Economic Uncertainties.
- 7 (H) Caseload changes, including In-Home Supportive Services
- 8 caseloads.
- 9 (I) Population changes, including the inmate population.
- 10 (J) New or anticipated federal program requirements.
- 11 (K) New or anticipated court orders.
- 12 (L) The Debt Service Ratio.
- 13 (M) Other factors affecting program costs.
- 14 (N) Underlying Proposition 98 forecast factors, including K–12
- 15 average daily attendance, per capita personal income, per capita
- 16 General Fund, community college full-time equivalent students,
- 17 and the K–14 cost of living adjustment.
- 18 (O) Projected General Fund spending identified by major
- 19 programs, including K–14 Proposition 98 (separated first by
- 20 General Fund and local property taxes and second by Proposition
- 21 98 Quality Education Investment and settle-up), the California
- 22 State University, the University of California, the Student Aid
- 23 Commission, Medi-Cal, CalWORKs, Supplemental Security
- 24 Income/State Supplementary Payments, In-Home Supportive
- 25 Services, the State Department of Developmental Services, the
- 26 State Department of Mental Health, the Department of Corrections
- 27 and Rehabilitation, the judiciary, Proposition 42, debt service on
- 28 infrastructure bonds, and other major social programs.
- 29 (b) The Controller and the Treasurer shall review the estimates
- 30 generated pursuant to subdivision (a) and shall jointly submit the
- 31 following information to the fiscal committees of each house of
- 32 the Legislature and to the Director of Finance on or before August
- 33 1 of each year, with respect to the July 15 estimates, and on or
- 34 before October 1, with respect to the September 15 estimates:
- 35 (1) A description of the economic context for the estimates of
- 36 General Fund revenues, including trends in financial markets and
- 37 effects on borrowing.
- 38 (2) An assessment of the estimates of General Fund revenues
- 39 and, if significantly different, alternative estimates.

(3) An assessment of the Director of Finance's estimates of General Fund expenditures, focusing primarily on the following:

(A) The impact of changes or anticipated changes to state statutory law, state constitutional law, federal law, and case law.

(B) The impact of anticipated enrollment and caseload changes, federal mandates, court orders, and related cost factors affecting the estimates.

SEC. 3. Section 13337 of the Government Code is amended to read:

13337. (a) The budget required by the ~~State California~~ Constitution to be submitted by the Governor at each regular session of the Legislature shall be submitted within the first 10 days thereof and shall contain a complete plan and itemized statement of all proposed expenditures of the state provided by existing law or recommended by him or her, and all of its institutions, departments, boards, bureaus, commissions, officers, employees, and other agencies, and of all estimated revenues, for the ensuing fiscal year, together with a comparison, as to each item of revenues and expenditures, with the actual revenues and expenditures for the last completed fiscal year, the estimated revenues, and expenditures for the existing fiscal year and the budgeted revenue and expenditures for the next fiscal year. *The budget shall also contain estimates of revenues and expenditures for the three subsequent fiscal years. The Controller and the Treasurer shall review the estimates of revenues for the next fiscal year and the three subsequent fiscal years and shall jointly submit the following information to the fiscal committees of each house of the Legislature and to the Director of Finance on or before February 1 of each year:*

(1) *A description of the economic context for the estimates of revenues, including trends in financial markets and effects on borrowing.*

(2) *An assessment of the estimates of revenues and, if significantly different, alternative estimates.*

(3) *An assessment of the Director of Finance's revised expenditure proposal, focusing primarily on the following:*

(A) *The impact of changes or anticipated changes to state statutory law, state constitutional law, federal law, and case law.*

1 (B) *The impact of anticipated enrollment and caseload changes,*
2 *federal mandates, court orders, and related cost factors affecting*
3 *the estimates.*

4 (b) The budget shall, in accordance with Chapter 2 (commencing
5 with Section 41200) of Part 24 of *Division 3 of Title 2* of the
6 Education Code, include a section that specifies the percentages
7 and amounts of General Fund revenues that must be set aside and
8 applied for the support of school districts, as defined in Section
9 41302.5, and community college districts, as required by
10 subdivision (b) of Section 8 of Article XVI of the California
11 Constitution.

12 (c) The Governor, or the Department of Finance acting on his
13 or her behalf, shall make appropriate changes in the budget request
14 to reflect any modification in the organization or functions of state
15 government proposed under Article 7.5 (commencing with Section
16 12080) of Chapter 1 prior to the passage of the budget.

17 (d) The Governor's Budget shall be prepared in accordance with
18 guidelines and instructions adopted by the Department of Finance.

19 (e) In order to provide meaningful comparisons, the Governor's
20 Budget shall be prepared in such a manner that the information
21 presented provides for ~~such~~ *those* comparisons between the fiscal
22 years.

23 (f) The Department of Finance shall submit to the committee
24 in each house which considers appropriations and to the Joint
25 Legislative Budget Committee copies of budget material submitted
26 to it by agencies pursuant to the provisions of Article 2
27 (commencing with Section 13320).

28 (g) The Governor's Budget shall also include a coding structure
29 which indicates for each budget entity the categorization of
30 expenditures and revenues.

31 (h) Prior to the submission of the Governor's Budget to the
32 Legislature, the Department of Finance may conduct public
33 hearings regarding any portion of any budget.

34 (i) The Governor, or the Department of Finance acting on his
35 or her behalf, shall, at the same time the Governor's Budget is
36 submitted to the Legislature, submit to the Legislature copies of
37 the material for the purposes of subdivision (j).

38 (j) The Department of Finance shall develop a fiscal information
39 system which will provide timely and uniform fiscal data needed
40 to formulate and monitor the budget, including, but not limited to,

1 ~~on-line~~ *online* inquiry capacity and the ability to simulate budget
2 expenditures and forecast revenues. This system may include,
3 among other things, data on encumbrances and expenditures by
4 line item, governmental unit, and fund source. The system shall
5 also include expenditures and encumbrances by program, as
6 required. This system shall also include a coding structure which
7 indicates the categorization of expenditures and revenues. This
8 system and the data shall be available to both the legislative and
9 executive branches. The system may contain separate programs
10 accessible by only one branch, designed to provide for distinct
11 application of the data, but the basic system data shall be available
12 on an equal basis to both the legislative and executive branches of
13 government.

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